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hostile attitude toward the factory acts and toward labor legislation in general."

This question would hardly deserve discussion, did it not relate to the opinions of a man who influenced the economic and social thought of the 19th century more deeply perhaps than any of his contemporaries. But, when they concern Marx, even details are significant and minute accuracy is not superfluous.

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RAILWAY RATES AND JOINT COST

I submit a few sentences in reply to Professor Taussig's interesting note entitled "Railway Rates and Joint Cost Once More," which appeared in the February issue of this Journal. Professor Taussig argues, as I understand him, that transport of copper and transport of coal may rightly be regarded as "joint products," because they are supplied to separate groups of demanders with separate demand schedules. In this respect, he holds, this relation is analogous to that subsisting between cotton fibre and cotton seed, which is generally agreed to be one of joint supply. Now, if there were involved in this discussion merely a question of definition, it would ill become me to quarrel with the way in which a writer of Professor Taussig's high authority prefers to use economic terms. But, as it seems to me, something more than a question of definition is involved. In the case of cotton fibre and cotton seed, *different* prices per pound of the two commodities would come about in conditions of equilibrium, even tho cotton were grown by a large number of competing sellers. But, in the case of copper transport and coal transport, *equal* prices per pound would come alone in these circumstances. If, therefore, what would happen under free competition be taken provisionally as the standard of what is socially desirable, that

kind of joint supply which prevails between cotton fibre and cotton seed justifies discriminating prices, but the kind of joint supply which prevails between copper transport and coal transport does not justify them. When the second kind of joint supply prevails, discriminating prices can only be justified, for the standpoint of society, by a proof that what would happen under open competition ought not, in such special case as we may be considering, to be taken as the standard of what is socially desirable. This distinction seems to me to be, from the standpoint of practice, fundamental. The presence of the first kind of joint supply justifies price arrangements which the presence of the second kind does not justify. Is there not a real danger of confusion if the term joint supply is used indifferently of both these kinds, and is it not better to confine the term, as I have done, to the first kind only? In my book, *Wealth and Welfare*, I ventured to suggest that Professor Taussig had himself been led into a confusion in this way. In that suggestion it may well be that I was wrong, and I certainly wrote with an undue assurance. Our difference, I now believe, is one of words rather than of substance. At heart I like to hope that this is so; for to feel that one differs in substance from Professor Taussig is to experience a much diminished confidence in one's conclusions.

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I express with hesitation any remaining difference of opinion with one so courteous and competent as Professor Pigou. Yet it would seem that I failed to make my meaning clear. I had not meant to argue, as Professor Pigou understands me to, that "transport of copper and transport of coal may rightly be regarded as joint products, *because* (the italics are mine) they are supplied to separate groups of demanders with separate demand schedules." The fact that they are supplied to separate groups of demanders merely shows

that, tho both dubbed "transport," they do not constitute a homogeneous commodity. As Professor Pigou remarks in *Wealth and Welfare* (p. 217), "joint supply implies the presence of at least two sorts of things." But this presence of two sorts of things does not by itself bring about the conditions of joint supply. The two sorts of things must be produced at joint cost, as in the familiar example of cotton fibre and cotton seed. Now I am convinced that the conditions of supply for railway transport are preponderantly joint. The plant — almost all of it — is used for the traffic as a whole, without any possibility of allocating any part of this constituent part of supply price to one or another item or class of traffic. More than half (a moderate estimate) of the operating expense is also incurred for the traffic as a whole.¹ It is not clear to me how far Professor Pigou would admit this to be the case, — whether he thinks that railway transport is carried on in fact under the conditions of joint supply. Nor is it clear to me whether he still maintains, as he did in *Wealth and Welfare* (pp. 216, 217), that "the carriage of tons of different things from A to B *is* (the italics are Professor Pigou's) a single homogeneous commodity . . . one sort of thing and one only."

Professor Pigou believes that "in the case of copper transport and coal transport, *equal* prices per pound would come alone under these circumstances" [a large number of competing sellers]. They would, if each sort of transport were conducted quite by itself; for example, if it were done by dray-carts. Then the charge per unit of weight and distance would doubtless be the same on copper and on coal. But, as I have just said, transport by railway is not of this simple kind. Hence it does not seem to me that, even if there were competing sellers, railway rates would necessarily or probably be the same on two such articles.

The question involved in this interchange of opinions seems to me not merely one of definition or of theoretical nicety. It bears on large problems of legislation and admin-

¹ See the recent summary of the evidence on this familiar topic in Ripley, *Railroads* Chapter II.

istration. Our Interstate Commerce Commission, for example, is now trying to divest railways of monopoly adjuncts. They are so to conduct their business as to get a competitive return and no more. This, I take it, is what is meant at bottom by requiring "reasonable" rates and allowing "fair" earnings. Suppose this policy to be carried out consistently and unflinching: would all rates be reduced to a uniform basis per ton per mile? would a "natural" system be the logical outcome? would the classification of goods disappear, or be allowed only so far as resting on specific differences in cost of carriage? If classification, "discriminating" rates, charges based on "value of service" are the results essentially of monopoly, as Professor Pigou contends, they must go with the inhibition of monopoly exploitation. But if they are the results mainly or largely of joint supply, they may remain even tho railways are compelled to conduct their traffic on the same principles as competitive industries.

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